

SCB X Pcl (SCB TB) - BUY

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Analyst Meeting**Clear earnings visibility**

- **We see upsides to our earnings forecast and TP**
- **The drivers include no extra expenses from Robinhood...**
- **...lower provisions of CardX and traditional banking.**
- **We expect final dividends of Bt8.3 and Bt11.5 for 2025.**

The recent meeting tone was optimistic for SCBx, as its Gen2 companies (CardX and AutoX) are showing a turnaround and are expected to contribute more significantly to profits this year. Key updates include:

- **CardX:** Asset quality has improved, reflecting effective risk management.
- **AutoX:** The business has achieved critical mass and is now prioritizing higher returns over loan volume growth. The focus shifts from pick-up truck to land title loans.
- **Wealth Management:** The conventional banking arm is experiencing robust growth in wealth management services and targets 15% growth this year.
- **Credit Costs:** Credit costs are expected to normalize this year, contributing to improved profitability.

Ex 1: SCBx's Financial Targets For 2025

SCBX	2024	2025 Targets
Loan Growth	-1.30%	1-3%
Net Interest Margin (NIM)	3.85%	3.6-3.8%
Net Fee Income Growth	-5.60%	2-4%
Cost to Income Ratio	42.30%	42-44%
Credit cost (bps)	176bps	150-170bps

Source: Company data

Note: This 2025 target excludes the impact of "You Fight, We Help" debt relief scheme.

Profit windfalls:

- SCBx discontinued the operation of Robinhood in 3Q24, recording Bt1.6bn in impairment losses during 2H24. The absence of these losses and the end of Robinhood's Bt1.5bn annual loss contribution will result in a combined positive impact of Bt3.1bn in 2025.
- CardX has successfully reduced defaults and NPLs, achieving a 69bps y-y decline in NPLs last year. The company projects a 30% reduction in credit costs this year, implying an additional provisioning reduction of approximately Bt2.5bn.

Loan Growth Guidance:

- SCBx has issued a subdued loan growth guidance of 1-3%, reflecting continued caution and selective lending policies across the bank and Gen 2 companies.

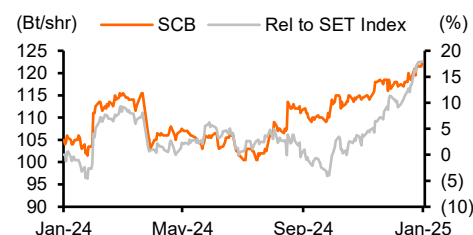
Key Valuations

Y/E Dec (Bt m)	2024A	2025F	2026F	2027F
Pre Prov. Profit	98,797	101,217	107,626	113,500
Net profit	43,943	46,950	54,032	58,075
Norm net profit	43,943	46,950	54,032	58,075
Norm EPS (Bt)	13.1	13.9	16.0	17.2
Norm EPS gr (%)	1.0	6.8	15.1	7.5
Norm PE (x)	9.4	8.8	7.6	7.1
P/BV (x)	0.8	0.8	0.8	0.8
Div. yield (%)	8.2	9.1	10.5	11.3
ROE (%)	9.1	9.5	10.7	11.1
ROA (%)	1.3	1.3	1.5	1.6

Source: Thanachart estimates

Stock Data

Closing price (Bt)	122.5
Target price (Bt)	123.0
Market cap (US\$ m)	12,096
Avg daily turnover (US\$ m)	29.5
12M H/L price (Bt)	122.0/100.5

Price Performance

Source: Bloomberg

Net Interest Margin (NIM):

- NIM has been under pressure, and the expected 25bps policy rate cut will further impact margins in the conventional banking business. However, this adverse effect will be mitigated by growing wealth management fees and lower provisions, which are expected to decline from 1.2% in 2024 to 1-1.1% in 2025.
- Gen 2 businesses will benefit from the interest rate cuts and reduced credit costs, which are expected to decrease from 9% in 2024 to 8% in 2025, driving more significant profit contributions.
- The group is optimistic about the government's debt relief programs, with Bt5-6bn in loans already enrolled. SCBx plans to proactively engage eligible borrowers to increase the adoption rate.

Credit Costs:

- SCBx anticipates a decline in group credit costs from 1.76% in 2024 to 1.5-1.7% in 2025, driven by reductions in both Gen 1 and Gen 2 segments. We estimate the splits will be 1-1.1% from Gen 1 and 8-9% for Gen 2.

Fee Income Growth:

- Fee income is expected to expand as SCBx looks to improve bancassurance fees and ride on solid momentum of the wealth management.
- The bank integrates bancassurance sales with its wealth management team, minimizing drag from the bancassurance business.

Operating Expenses:

- The group continues to improve efficiency through digitalization, targeting a lower cost-to-income ratio in the banking segment, reducing it from 39% last year to the mid-to-high 30% range in 2025.

Dividend Policy:

- SCBx views its 80% dividend payout ratio as sustainable, supported by strong capital reserves and limited prospects for significant asset growth.
- With profits up 1% from 2023, dividend payments for 2024 are expected to remain similar to the 2023 level of Bt10.34 per share. This implies final dividends of Bt8.3 per share.
- Assuming a 10% net profit growth driven by windfalls from Robinhood's cessation and provision reductions at CardX, the dividend per share (DPS) is projected to increase to Bt11.5 for 2025.

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